

Message Text

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PAGE 01 ROME 07602 120052Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-02
INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02
SS-15 USIA-15 AID-05 COME-00 EB-07 FRB-01 TRSE-00
XMB-04 OPIC-06 LAB-04 EPG-02 SIL-01 OMB-01 STR-04
ACDA-10 /127 W
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R 101619Z MAY 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 4498
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION EC BRUSSELS
USMISSION GENEVA
MTN GENEVA

UNCLAS ROME 7602

E.O. 11652: N/A
TAGS: ETRD EFIN ECON IT EC
SUBJ: MINISTER OF FOREIGN TRADE ADVOCATES "BUY ITALIAN "
CAMPAIGN AND COMMENT ON SUMMIT AND EC

BEGIN SUMMARY . IN SPEECH ON MAY 9 AT ROME UNIVERSITY, AS
REPORTED IN CORRIERE DELLA SERA MONG OTHER DAILIES, MINISTER
FOR FOREIGN TRADE OSSOLA GAVE SUPPORT TO IDEA OF LAUNCHING BROAD
"BUY ITALIAN" CAMPAIGN IN EFFORT TO RESTRAIN IMPORTS. OSSOLA
INDICATED THAT EXPORT PROMOTION SIMPLY NOT SUFFICIENT TO
IMPROVE ITALY'S PAYMENTS POSITION AND THAT INCREASING ATTENTION
WOULD HAVE TO BE GIVEN TO IMPORTS. OSSOLA CRITICIZED CERTAIN
ASPECTS OF LONDON SUMMIT CONFERENCE AND LACK OF PROGRESS TOWARD
INTEGRATION IN EUROPEAN COMMUNITY (EC). HE ALSO STATED GOI
COULD STAY WITHIN PUBLIC DEFICIT CEILING SET FOR 1977 BY MIX
OF EXPENDITURE CUTS AND INCREASES OF DIRECT AND IDIRECT TAXES.
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END SUMMARY.

1. RECOGNIZING THAT INTERNATIONAL OBLIGATIONS PREVENTED USE
OF ADMINISTRATIVE IMPORT MEASURES, OSSOLA SAID THERE WAS NO NEED
TO CLOSE ONE'S EYES TO THE MASSIVE PUBLICICTY CAMPAIGNS OF OTHER
COUNTRIES, INCLUDING EC PARTNERS FRANCE AND UK, AND OF U.S.
UNIONS IN FAVOR OF BUYING NATIONALLY OR UNION MADE PRODUCTS.

HE SUGGESTED THAT ITALY COULD REDUCE IMPORTS SIGNIFICANTLY BY CONCENTRATING ITS EFFORTS ON UNNECESSARY OR LUXURY GOODS WHICH HE IDENTIFIED AS AUTOMOBILES HAVING ENGINE CAPACITIES GREATER THAN 1500 CUBIC CENTIMETERS, MOTORCYCLES, SPORTS GOODS, TELEVISION SETS, CERTAIN ELECTRONIC ITEMS, FURS, PERFUMES, COSMETICS, LIQUORS, WINES, TROPICAL FRUITS, FRESH FLOWERS, WATCHES AND CLOCKS, SWEETS, MUSICAL INSTRUMENTS, AND GLASS ITEMS (CRYSTAL). HE SAID THESE ITEMS AMOUNTED TO THREE PERCENT OF TOTAL PAYMENTS AND THAT A 25 PERCENT REDUCTION IN AUTO OR COFFEE IMPORTS WOULD SAVE FOREIGN EXCHANGE EQUAL TO THE INTERNATIONAL MONETARY FUND (IMF) LOAN. OSSOLA CONCLUDED THAT THE POLITICAL PARTIES, UNIONS, MEDIA, AND GOI ITSELF SHOULD CONVEY TO THE PUBLIC THAT CONSUMPTION OF UNNECESSARY FOREIGN GOODS WAS EQUIVALENT TO EXPORTING JOBS.

2. IN NEWS COMMENTARY IT WAS NOTED THAT MANY ECONOMIC EXPERTS OF THE "NO NON-CONFIDENCE" PARTIES SUPPORT OSSOLA'S VIEW THAT MORE ATTENTION NEEDS TO BE GIVEN TO REDUCING IMPORTS AND THAT ESPECIALLY THE PSI AND PCI ADVOCATE AT LEAST TEMPORARY IMPORT QUOTAS ON CERTAIN GOODS, ESPECIALLY LUXURY GOODS.

3. OSSOLA CRITICIZED THE LONDON SUMMIT CONFERENCE AND THE MOST RECENT IMF INTERIM COMMITTEE MEETING FOR NOT DISSIPATING FEARS THAT NATIONS WOULD CONTINUE DOWN ROAD OF NATIONAL EGOISM THEY HAVE FOLLOWED SINCE THE SUDDEN OIL PRICE INCREASE (OF 1973). HE ADDED THAT THE EUROPEAN COMMUNITY (EC) SEEMED TO HAVE STOPPED PROGRESS TOWARD POLITICAL AND ECONOMIC INTEGRATION. HE DISCOUNTED DIRECT ELECTIONS TO THE EC PARLIAMENT AS HAVING, IN THE BEST OF CIRCUMSTANCES, NO EFFECT UNTIL THE 1980S.

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IN THIS CONTEXT, HE SAID, "ITALIAN (ECONOMIC) CASE "IS A MORE GENERAL ONE THAN MANY WANT TO THINK.

4. OSSOLA ALSO RAISED QUESTION OF HOW ITALY WOULD BE ABLE TO MEET THE 16,450 BILLION LIRE PUBLIC DEFICIT TARGET FOR 1977 AGREED TO WITH THE IMF IN THE FACE OF THE NEED FOR A FURTHER 2,000 BILLION LIRE IN BUDGET CUTS OR NEW REVENUES. A LARGE PART OF THIS WAS NEEDED TO COVER GOI COMMITMENT TO PAY PART OF EMPLOYERS' HEALTH INSURANCE CONTRIBUTIONS FOR THE LATTER PART OF THE YEAR. HE SAID IT WAS POSSIBLE TO MEET THE TARGET BY INCREASING BOTH INDIRECT AND DIRECT TAXES, AND ABOVE ALL BY REDUCING PUBLIC EXPENDITURES THROUGH FREEZING EMPLOYMENT, POSTPONING SOME NON-ESSENTIAL INVESTMENTS, AND ELIMINATING MYRIAD SUBSIDIES WITH LITTLE ECONOMIC OR SOCIAL UTILITY. MORE SPECIFICALLY, HE REMARKED THAT HIGHER THAN ANTICIPATED REVENUES WOULD COVER PART OF THE NEEDED 2,000 BILLION LIRE AND THAT THE REMAINDER SHOULD BE RAISED BY A COMBINATION OF INCREASES IN DIRECT AND INDIRECT TAXES, AND CUTS IN PUBLIC EXPENDITURES. HE NOTED THAT NONE OF THESE MEASURES BY THEMSELVES WOULD SUFFICE :(A) AN INCREASE IN INDIRECT

TAXES ALONE WAS NOT OPPORTUNE BECAUSE OF THE SHORT-TERM INFLATIONARY IMPACT ;(B) AN INCREASE IN DIRECT TAXES WOULD BE VERY DIFFICULT IN A YEAR IN WHICH SELF-EMPLOYED TAXPAYERS ARE ALREADY IN MANY CASES PAYING THREE YEARS' TAXES IN ONE;; AND (C) REDUCING PUBLIC EXPENDITURES BY DEPENDING UPON THE GOOD WILL ALONE OF THIS OR THAT MINISTER WAS NOT REALISTIC. (REPORTEDLY OSSOLA, HIMSELF, CAN BE EXCLUDED FROM THIS REMARK AS 1978 BUDGET REQUEST FOR HIS MINISTRY WILL BE WITHIN THE IMF TARGET OF 7 PERCENT INCREMENT OVER 1977). LAWS MUST BE REVISED, HE SAID, ESPECIALLY IN THE HEALTH AND PENSION AREAS, AND REQUESTS FOR ADDITIONAL SPENDING MUST BE REJECTED. ALTHOUGH EACH REQUEST WAS SEEMINGLY WELL-JUSTIFIED AND LEGITIMATE, ALL TOGETHER THEY REPRESENTED A POTENT INFLATIONARY FACTOR APART FROM THE EFFECT THEY WOULD HAVE ON THE DEFICIT CEILING.GARDNER

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Decaption Note:
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Disposition Approved on Date:
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Disposition Comment:
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Disposition Event:
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IN SPEECH ON MAY 9 AT ROME UNIVE
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